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Two investigations in potters' shops. Reports to the Industrial Fatigue Board. (London: H. M.'s Stationery Office. 1922. 2s. 6d.)

Wage changes in various countries, 1914-1921. (Geneva: International Labor Office. 1922. Pp. 76. 40c.)

Wages in foreign countries. Research report no. 53. (New York: National Industrial Conference Board. 1922. Pp. 131. \$1.50.)

Wages and hours in American manufacturing industries, July, 1914—January, 1922. Research report no. 52. (New York: National Industrial Conference Board. 1922. Pp. 245. \$2.)

Money, Prices, Credit, and Banking

The Guaranty of Bank Deposits. By THOMAS BRUCE ROBB. (Boston: Houghton Mifflin Company. 1921. Pp. xiv, 225. \$2.25.)

The first twelve years of the history of the experiment in the guaranty of bank deposits carried on in this country in Oklahoma, Kansas, Nebraska, Texas, South Dakota, North Dakota, Mississippi and Washington are the subject of this little book, which belongs to the Hart, Schaffner and Marx series and was awarded second prize in the competition for the year ending June 1, 1919. The historical portion, chapters 3 to 7 inclusive, is preceded by a chapter on the nature of bank credit and by one entitled "Government guaranty of bank credit," and is followed by "The effect of the laws," a conclusion, and a bibliography and index.

The author's discussion of the nature of bank credit is very brief (six pages) and follows traditional lines. He calls attention to the function of banks as intermediaries between the lenders and borrowers of capital and emphasizes particularly what he calls their function as manufacturers of credit. He uses this term to describe what a bank does when it exchanges its notes or a credit balance on a checking account for the notes or other obligations of its customers due in the future. He also speaks in this connection of "the service a bank performs as an insurer of individual credit" (p. 4), but does not apparently note any discrepancy between the use of the terms "manufacturer" and "insurer" of credit as descriptive of the same function of a bank.

In the second chapter he traces the evolution of the problem for which the guaranty of bank deposits has been proposed as a solution, namely, that occasioned by the growth of deposit banking which has made the checking account the chief element in our modern medium of exchange. Before this comparatively recent development the bank note was the chief instrument of commercial banking and an important element in the medium of exchange, and the protection of the note holder was the chief aim of legislation designed for the safeguarding of the banking business. The growth of deposit banking has ren-

dered this old protective legislation comparatively ineffective as a safeguard against bad banking, and the essential similarity of bank notes and checking accounts, both from the standpoint of the bank and from that of the public, and the prominence of the mutual insurance idea in much of this old legislation suggest the mutual guaranty of bank deposits as the logical method of meeting the problem presented by the constantly increasing use of the checking account.

In the historical chapters he shows that the occasion of bringing this method of safeguarding the public against bad banking into the sphere of practical politics, in this country, was the hard times which succeeded the crises of 1893 and 1907. The combination of crop failures and business depression in our western states in the period following the crisis of 1893 produced a large number of bank failures and great distress among farmers. The Populist movement which resulted incorporated the guaranty of deposits among the other reform projects proposed. The bankers were in opposition at first and prevented legislation until the return of good times removed the chief causes of the agitation.

The idea reappeared in the Oklahoma Constitutional Convention of 1906, fathered by J. T. Dickenson, who had been prominent in Kansas in Populist days, and Charles N. Haskell, who afterwards became governor of the new state of Oklahoma. Failing in the constitutional convention, the advocates of the proposition submitted it to the first legislature of the new state, which was in session at the time of the panic of 1907, and, aided by the conditions accompanying the panic and by the executive committee of the Oklahoma and Indian Territory Bankers Association, they succeeded in making it law on December 13, 1907.

Similar fundamental conditions were responsible for the Kansas, Nebraska, Texas, and first South Dakota laws, passed two years later, though the detailed events leading up to them were different in each state. The destruction of the cotton crop by the boll weevil, accompanied by a large number of bank failures in 1912 and 1913, together with the prominence given to the idea by the laws in the other states and by its endorsement by the Democratic party in the campaign of 1908, accounts for the passage of the Mississippi law in 1914. The Washington and North Dakota laws, passed in 1917, were the result of agitation begun long before and aided in Washington by four bank failures in Seattle while the measure was pending in the legislature, and in North Dakota by the example of her sister state to the south.

In summarizing "the effects of the laws" in chapter 8, the author examines the arguments pro and con and weighs them in the light of the experience he has described.

His own predilections are clearly in favor of them, but both his

analysis and his statement of the opposing views are fair. He thinks that the opponents of the experiment have underestimated the need of protection to depositors, overestimated the tendency of guaranty laws to produce reckless banking, and overworked the argument that they cause injustice; but, on the other hand, he thinks that its advocates have overestimated its importance as a cure for panics and as a panacea for other banking ills. Like other forms of insurance this one, he thinks, is valuable and desirable if properly safeguarded. "Honest insurance," he says, "has proved a great blessing to mankind, but it is likewise true that corrupt and dishonest insurance may equally exploit the public. There is no magic about government insurance. If the state is to administer successfully a bank-deposit insurance company, it must be willing to pay the same price that is now being paid by the best private insurance companies. This is the great consideration and before it all other things must bow" (p. 203).

A defect in the author's summary and conclusion is his failure to consider, or even to imply that there are, other and possibly better means of protection of depositors than the mutual guaranty of deposits. He entirely overlooks the recent developments in banking practice and legislation in the direction of distinguishing more carefully than formerly between commercial and investment paper as investments for commercial banks, and in the better organization and supervision of our independent banks under the federal reserve system.

There are a number of careless and some incorrect statements scattered throughout the book. The following are examples: "It (the Bank of England) is permitted to issue up to about \$90,000,000 in notes which must be secured by government bonds" (p. 7). In the case of national banks "a gold deposit equal to five per cent of the note issue must be made with the Treasury" (p. 8). "In the strongholds of Populism the days of the protracted depression of 1893 were especially trying times" (p. 32). "Banking institutions gather in the funds that the public is temporarily not using and lend to private parties the credit which the bank erects on this foundation" (p. 179).

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NEW BOOKS

ARNAUNÉ, A. *La monnaie, le crédit et le change*. Sixteenth edition, revised. Vol. I, *La circulation.—Ses instruments.—Son mécanisme*. (Paris: Lib. Félix Alcan. 1922.)

BALDY, E. *Les banques d'affaires en France depuis 1900*. (Paris: Lib. Générale de Droit et de Jurisprudence. 1922. Pp. 391. 25 fr.)

A very complete history of the rise and development of commercial banking in France, from its commencement with the *Crédit Mobilier* in 1852. One section of the book is given to the time of the Great War and another to the years since the armistice.

R. R. W.